

Think Cranfield, October 2003

Developing an External Perspective - an oversimplified and underdeveloped capability

by Catherine Bailey, Michael Bristow

Finding revolutionary wealth-creating strategies in today's business conditions requires an External Perspective (EP) - an individual and organisational capability to generate and exploit truly innovative ideas that breach organisational and industry mindsets to create and sustain market leading propositions.

Senior executives agree though that it is a capability sorely lacking in most businesses. Early findings from recent Cranfield research identified diverse experience, networking, benchmarking, reading and research, and attendance at open development programmes as productive EP development approaches – the latter potentially offering the unique synthesis of other approaches whilst developing the personal capabilities necessary to use radical and innovative ideas well. (See article in June edition of Cranfield Online "Developing an External perspective: the Value of Open BLD programmes")

The gap between theory and practice

Findings from a second survey of External Perspective development activity amongst 217 executives, designed to explore what managers and organisations actually do to develop an EP and the benefits of different approaches, reveal a huge gap between theory and practice. Whilst it may be widely understood that organisational success is fuelled by fresh ideas, particularly from another industry, most EP development activities are decidedly 'within industry'.

A stark difference between senior management rhetoric and action is evident in limited attendance at outside industry events, a typical reluctance to network widely, little outside industry benchmarking and a predominant focus on function - or industry - specific reading. Actual benefits also fall far short of those theoretically promised and sought after.

Characteristically managers report incremental gains in competitive positioning rather than industry-leading quantum leaps in competitive advantage. What's more, approaches vary as to their cited benefits. And when it comes to organisational support it seems that fervent advocacy rarely translates into practice. At best, support is typically informal and passive. At worst, outside industry activities are actively discouraged as irrelevant or inconvenient in career terms.

Above all, the results demonstrate that despite the overwhelming appreciation of the strategic importance and organisational paucity of EP, and the undoubted efforts to build this strategic capability, approaches are not used well. We found that most approaches were under-exploited.

Gaining diverse experience is the most powerful methodology, but it is invariably unplanned and unsupported. Reading and formal study are seen as particularly valuable for sourcing innovative ideas, but often poorly targeted, and managers struggle to justify

the time. Outside industry networking and benchmarking both suffer from the difficulty of targeting and initiating contact. Business school open enrolment programmes can offer all the above but some fail to also develop the necessary personal capabilities to use powerful and new ideas well and businesses struggle to evaluate outcomes effectively.

The External Perspective model

These discrepancies between theory and practice, word and action, promised and realised benefits, suggest that EP is a concept in desperate need of clarification. The research, carried out by Cranfield's General Management Development Group, provides a model of External Perspective, which distinguishes three levels (business, industry and extra-industry) each associated with different benefits:

- * Firstly, moving beyond functional mindset boundaries helps managers to widen their decision-making parameters and develop an appreciation of different business priorities.
- * Breaching organisational mindset boundaries, by bringing in ideas from the industry, leads to new solutions or performance level possibilities.
- * Finally, it is only through activities which challenge managers to reach beyond the industry mindset that new mental models of organisational, operational and strategic possibilities are likely to emerge.

Personal Challenge

Achieving these different levels requires well-targeted development approaches if they are to deliver the promised benefits. For managers and management development people there is huge scope for doing and supporting this more effectively. However, as well as succeeding levels of EP offering benefits of increasing strategic impact, they also present increasing personal challenge. This underlines the critical importance of developing personal cognitive, interpersonal and political capabilities to recognise the potential in alien ideas and to convince others of their value as well as to nurture counter-culture initiatives successfully.

Research shows that most organisational practice fails to recognise this requirement of developing an external perspective with real strategic potential and only the acquisition of diverse experience over time, or attendance at suitably designed external development programmes, offers the necessary personal development.

These findings pose a challenge for organisations seeking to develop an External Perspective capability. Developing an EP must balance the search for future competitive space with seeking efficiency to "stay in the game", so a range of suitably targeted approaches are required to develop each level according to individual and organisational needs. Business leaders and senior executives above all need to develop an "Extra-industry perspective" otherwise they cannot support an EP widely in their business. But organisational support for this valued capability also needs to be culturally embedded in recruitment and performance management criteria, talent spotting and high potential development programmes as well as reflected in reward policies.

Bucking the trend

Finally, current trends in management development practices towards internal programmes of action learning around current business issues predominantly develop business and industry-level thinking. According to our research findings the benefits are likely to be limited to maintaining competitive position. Approaches to developing the high strategic impact, extra-industry perspective challenge HR and MD professionals to buck the trend and to take a more discriminating approach to EP development. This approach needs to balance activities that develop business-wide thinking with those that nurture industry-wide frames of reference and those with the extra-industry perspective potential to break the industry mould.

Unlocking the power of external experience to fuel strategic innovation requires both radical ideas and the capability to cultivate them in the organisation. Our study clearly identifies the implications for senior executives, HR and MD professionals, Executive Development providers as well as for the development of effective organisational practice. For those seeking to develop the organisational capability to leapfrog competitors to get to the future first this study offers critical insight and practical recommendations.